



Memorandum

TO: PUBLIC SAFETY, FINANCE AND
STRATEGIC SUPPORT COMMITTEE

FROM: Jennifer A. Maguire

**SUBJECT: BI-MONTHLY FINANCIAL
REPORT FOR SEPTEMBER/
OCTOBER 2007**

DATE: December 6, 2007

Approved

Date

12/8/07

The Bi-Monthly Financial Report (MFR) for September/October 2007 was jointly prepared by the City Manager's Budget Office and the Finance Department and is presented for the City Council's review.

OVERVIEW

Through the first four months of the fiscal year, the City's overall financial position remains stable. Revenues and expenditures are currently performing within expected levels and are tracking to meet budgeted estimates. In October, the City Council approved the 2006-2007 Annual report that included many technical adjustments to the current budget as well as a limited number of new items. The economically sensitive General Fund revenue categories generally ended 2006-2007 at or slightly above estimated levels, which will help provide a buffer if the slowdown in 2007-2008 is more severe than anticipated.

As was discussed in the last MFR, there continue to be concerns that the economic environment is weakening and that this region, along with the State and the U.S. as a whole, will face challenges in the upcoming year. The most recent economic forecasts have not been encouraging with some economists beginning to point to a much higher probability of a recession than previously anticipated, while others continue to forecast a weakening economy but stop short of predicting a recession. Weak economic performance was anticipated in the revenue estimates included in the 2007-2008 Adopted Budget, but with no expectation that the economy would enter into a recession. The Administration will closely monitor economic conditions as the year progresses and provide an early warning should conditions deteriorate more than had been anticipated in this budget.

Following are some key highlights in this report:

- Development-related fee activity has experienced mixed results to-date with the Building and Public Works Fee Program revenues continuing to track well below anticipated levels through October, while the Planning and Fire Fee Programs are meeting or slightly exceeding expectations. Staff will closely monitor these activity levels and determine if any budget actions are necessary.

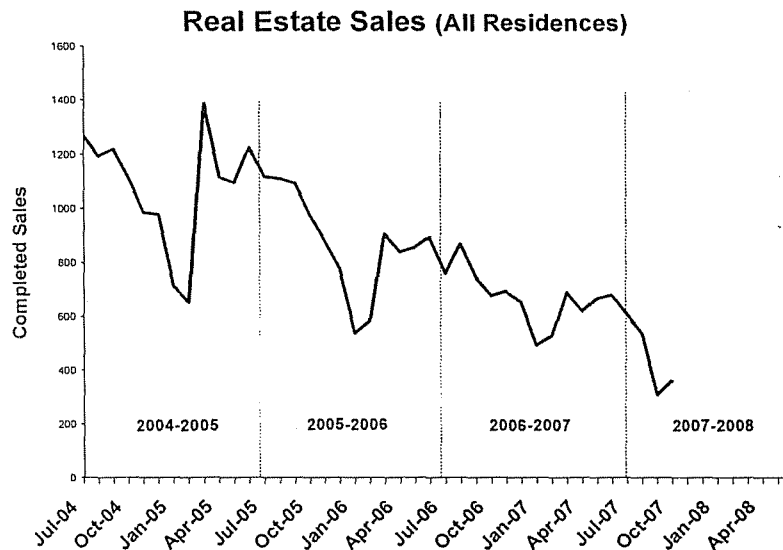
OVERVIEW (CONT'D.)

- The slowdown in the real estate market remains a major concern. The problems associated with sub-prime mortgages and the impact on the housing market were anticipated, however, when the 2007-2008 Adopted Budget was developed, and the most directly impacted revenue categories (Construction and Conveyance Taxes and SB 813 Property Taxes-supplemental taxes associated with property turnovers) were adjusted downwards accordingly. These categories experienced declines in 2006-2007 that are expected to continue through this fiscal year. The deteriorating housing market is also expected to indirectly impact other areas, such as Sales Tax collections.
- Expenditures are tracking within estimated levels through October. Cost control measures remain in place, such as the hiring freeze, and have generated significant savings in recent years. If current expenditure trends continue, there are a number of departments that would end 2007-2008 with year-end savings, as was the case in 2006-2007.
- Through October, the Airport has enplaned 3.8 million passengers, an increase of 1.5% from the same period last year. This was the result of improved performance for the first couple of months, followed by declines in September and October of 1.6%.

Economic Environment

When the 2007-2008 Adopted Budget was prepared, it was assumed that only modest economic growth would be experienced during the fiscal year. The impacts of the slowing housing market were expected to continue to hamper growth in this region, along with the State and the nation.

As expected, the economic indicators through the first couple months of the fiscal year, particularly the housing-related ones, have not been positive. As shown in the chart below, the number of housing sales in San José dropped significantly in 2006-2007 and is continuing to fall with a 40% decline through October of this fiscal year.



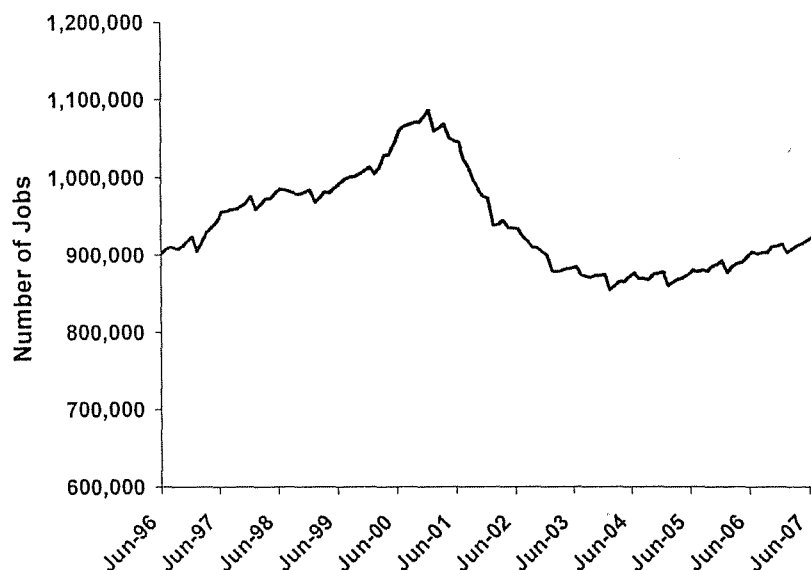
OVERVIEW (CONT'D.)

Economic Environment (Cont'd.)

It is expected that the housing market will continue to experience weak performance through 2007-2008 and will most directly impact Construction and Conveyance Tax and the SB 813 Property Tax receipts. Collections in these areas already declined 15% and 21%, respectively, in 2006-2007. As anticipated, Construction and Conveyance Tax receipts are down almost 20% through the first four months of this fiscal year. The significant slowdown in this area is also expected to negatively impact Sales Tax collections with the downward spending in construction materials and the reduction of consumer spending, as the "wealth effect" associated with housing appreciation diminishes. The major impact on Secured Property Taxes resulting from the current slowdown, however, is not expected to be realized until 2008-2009 and 2009-2010, since current year Secured Property Tax receipts are based on the value of property assessed as of January 1, 2007, with adjustments for roll corrections. While real estate activity had started to slow in 2006, performance during that period was still able to generate relatively strong growth for Property Tax receipts in the current fiscal year. If there are greater than anticipated reductions in home prices, however, there is a risk that a larger than expected number of properties will be reassessed during 2007-2008, which would impact Secured Property Tax receipts.

In the area of job growth, the employment figure for October 2007 (921,400) was approximately 1% above the October 2006 figure of 910,200 jobs. This growth rate is tracking below the job growth of 2.1% experienced in 2006-2007. The following table illustrates the changes in the number of jobs by fiscal year from the peak in 2000-2001 of 1.1 million jobs to the October 2007 figure of 921,400 jobs.

Total Jobs Comparison
San José Metropolitan Statistical Area (Santa Clara County)



OVERVIEW (CONT'D.)

Economic Environment (Cont'd.)

The unemployment rate of 4.9% in October 2007 was slightly below the September 2007 figure of 5.0% but was up from 4.1% a year ago. This unemployment rate was below the unadjusted figure for the State of 5.4%, but above the unadjusted figure for the nation of 4.4% in October 2007.

On a national level, the Conference Board Consumer Confidence Index, which has been declining since this summer, declined further in November. "This month's deterioration in confidence was due primarily to the sharp decline in the Expectations Index. Consumers' apprehension about the short-term outlook is being fueled by volatility in financial markets, rising prices at the pump and the likelihood of larger home heating bills this winter," said Lynn Franco, the research director for the Conference Board.

As discussed in the last MFR, recent economic forecasts point to little or no economic growth in the near future although there are varying opinions on whether the economy will sink into an actual recession. In the September 2007 UCLA Anderson Forecast, California Report, the forecasters predict continued sluggish performance but falling short of a recession. Other forecasters, however, now view a recession as the more likely scenario. The 2007 South Bay Economic Forecast, presented by Beacon Economics, estimates a 75% probability of a recession, spurred by a slowdown in consumer spending.

Given these mixed projections, economic conditions will need to be closely monitored and will be factored into the assessment of the City's performance in 2007-2008 as well as development of the 2009-2013 General Fund Forecast. (A preliminary forecast was released in November, with a final General Fund Forecast planned to be released in February 2008.)

In the November 2007 Preliminary Forecast, it was assumed that the national and California economies will experience slower than previously anticipated growth, but will not sink into an actual recession as a result of the continued impact of the housing market slowdown and the lingering impacts of the sub-prime mortgage problems. In the out-years of the forecast, economic growth is expected to improve somewhat as the housing market begins to recover from the current slowdown.

GENERAL FUND

REVENUES

General Fund revenues through October 2007 totaled \$187.0 million. This was an increase of \$18.8 million (11.2%) from the October 2006 level of \$168.2 million. This higher collection level, however, primarily reflected the timing of payments from other agencies (Revenue from Local Agencies, Revenue from the State, and Revenue from the Federal Government).

While it is still early in the fiscal year, there are no indications that the overall General Fund revenue estimates for 2007-2008 will not be met. In fact, with slightly higher than expected receipts in 2006-2007, it is still anticipated that collections should meet or slightly exceed the budget estimates by year-end, barring a dramatic change in economic conditions. The Budget Office will, of course, continue to refine its revenue estimates as additional information becomes available.

The following discussion highlights General Fund revenue activities through October.

KEY GENERAL FUND REVENUES

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Property Tax	\$ 198,154,000	11,264,463	\$ 10,353,254

The relatively small amount of year-to-date Property Tax revenues through October reflects Unsecured Property Tax collections of \$10.3 million as well as \$957,000 from the SB 813 Property Tax category (supplemental taxes associated with property turnovers). The largest payment for the Unsecured Property Tax category is received in October of each year. Although receipts to date are tracking ahead of the budgeted level, the latest estimates from the County of Santa Clara project that the Unsecured Receipts will end the year at approximately the budgeted estimate. County staff pointed out that there were some larger refunds in the Unsecured category between October and November.

The SB 813 Property Tax category generated revenues of \$957,000 through October, which is slightly above the \$899,000 collected through the same period last year. This collection pattern is unusual given the large declines in the number of real estate transactions that have occurred. From July through October 2007, the number of residential property sales declined 40% when compared to the same period last year. It should be noted, however, that collections through October typically represent only 10% to 15% of the year-end SB 813 Property Tax revenues, with approximately 80% of the revenue received in the second half of the fiscal year. While no drop is currently reflected in year-to-date receipts, it is anticipated that collections will fall significantly in this area based on the slowdown in the housing market. A significant drop-off in

GENERAL FUND (CONT'D.)**KEY GENERAL FUND REVENUES (CONT'D.)****Property Tax (Cont'd.)**

this category was, however, anticipated when the 2007-2008 Adopted Budget was developed based on the assumption that real estate sales would continue to decline through this fiscal year. In 2006-2007, receipts fell 20.7% in this category. Receipts can fall an additional 38% from the \$8.0 million collected in 2006-2007 and still meet the 2007-2008 budget estimate of \$5.0 million in this category.

While no actual payments had been received through October for the Secured Property Tax, it is still anticipated that collections will slightly exceed the Adopted Budget estimate. Based on the most current tax roll information provided by the County of Santa Clara, Secured Property Tax receipts are projected to exceed the adopted estimate of \$181.4 million by as much as \$1.5 million. The 2007-2008 collections are based on the value of property assessed on January 1, 2007, with any roll corrections. It is currently assumed that there will be no major downward reassessments of property values during the year. Tax roll adjustments are still occurring and will continue to take place until the end of May 2008. The Budget Office is continuing to work with the County to assess what implications any fluctuation in revenues due to this factor might have for the prospects of growth in the overall Secured Property Tax category. It is also anticipated that the Homeowners Property Tax Relief will come in at the budgeted level of \$1.1 million.

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Sales Tax	\$ 152,636,000	\$ 18,004,616	\$ 18,939,569

The Sales Tax category includes General Sales Taxes and Proposition 172 Sales Taxes. General Sales Tax receipts through October of \$16.9 million represented two State formula advance payments of \$16.3 million, and additional funding received in the last quarter of 2006-2007 above the amount accrued for that quarter of \$600,000. General Sales Tax receipts are tracking below the \$17.6 million received through the same period last year primarily because the accrual adjustment done at the end of 2006-2007 more accurately reflected the actual performance and resulted in a lower carryover to 2007-2008 than was done in the prior year. There is no actual General Sales Tax performance data for 2007-2008 factored into the receipts to-date. Data on the first quarter 2007-2008 will be received in December 2007.

As discussed in the last MFR, Sales Tax performance in the last two quarters of 2006-2007 exceeded the estimates that were used to develop the 2007-2008 Adopted Budget. As a result, an increase of approximately 1% is all that is needed in 2007-2008 to meet the budget estimate. If 2007-2008 receipts were to increase by the budgeted growth level of 3% over the prior year, collections would exceed the 2007-2008 estimate by \$2.5 million. Give the current economic

GENERAL FUND (CONT'D.)

KEY GENERAL FUND REVENUES (CONT'D.)

Sales Tax (Cont'd.)

indicators, this level of growth, however, seems unlikely.

The Proposition 172 Sales Tax receipts of \$1.1 million are tracking below the prior year collection level of \$1.3 million due to accrual differences from the prior year. Factoring out those adjustments, collections are tracking at the 2006-2007 levels. Growth of approximately 2.5% is needed, however to meet the budgeted estimate. Staff will continue to closely monitor this category to determine if an adjustment to this \$4.7 million revenue estimate will be recommended.

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Transient Occupancy Tax	\$ 8,988,000	\$ 2,659,336	\$ 2,049,974

Through October, Transient Occupancy Tax collections of \$2.66 million were tracking almost 30% above the prior year collection level of \$2.05 million for the same period. This increase reflects year-end accounting adjustments as well as actual growth in collections.

The occupancy rate at the 14 major hotels was 66.27% in October 2007, which was above the September 2007 rate of 55.31%, but below the October 2006 rate of 68.36%. The average room rate increased slightly from \$134.43 in October 2006 to \$143.98 in October 2007. While it is early in the fiscal year, it appears likely that receipts will exceed the budgeted estimate by year-end based on the slightly higher than estimated collections in 2006-2007 and stronger performance through the first few months of this fiscal year.

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Utility Tax	\$ 79,141,000	\$ 22,918,068	\$ 22,182,045

Utility Tax collections of \$22.9 million through October were up 3.3% from last year's collection level of \$22.2 million due to slightly higher collections in the Gas, Water, and Telephone Utility Tax categories, partially offset by lower Electric Utility Tax receipts.

In the Electric Utility Tax category, collections of \$11.3 million were tracking 3.2% below the prior year level of \$11.6 million due solely to accrual adjustments. Excluding accrual adjustments, current year collections are actually up 2.0% from the prior year. Overall growth of

GENERAL FUND (CONT'D.)**KEY GENERAL FUND REVENUES (CONT'D.)****Utility Tax (Cont'd.)**

less than 1% is needed to meet the budget estimate of \$37.0 million. It is currently anticipated that Electric Utility receipts will meet or slightly exceed this estimate by year-end.

In the Gas Utility Tax category, receipts of \$1.9 million were 20.8% above the prior year of \$1.5 million. The 2007-2008 Adopted Budget estimate of \$9.7 million assumed no growth in this category. While Gas Utility Tax collections are strong through the first four months, it is still too early to accurately project year-end performance since the majority of revenue for this tax is received in the winter months and factors such as weather conditions and fluctuations in gas prices can significantly impact collections in this category. At this point, however, it is assumed that collections will slightly exceed the budgeted estimate.

In the Water Utility category, collections of \$2.8 million are tracking above the prior year level of \$2.3 million and are expected to exceed the budget estimate of \$7.7 million by year-end. Similar to the Gas Utility Tax category, it is difficult to project the year-end performance in this category since weather conditions can significantly impact water usage.

Collections in the Telephone Utility Tax category of \$7.0 million are tracking above the prior year level of \$6.7 million and are targeted to meet or slightly exceed the budgeted estimate of \$24.7 million by year-end.

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Licenses and Permits	\$ 79,486,330	\$ 23,686,723	\$ 23,107,145

Through October, Licenses and Permits revenue of \$23.7 million tracked 2.5% above the prior year level of \$23.1 million primarily due to higher Fire Permits receipts. Following is a discussion of the major components of this category.

Cardroom Business Tax collections of \$3.0 million were below the prior year level of \$3.3 million, but slightly above the 2005-2006 collection level of \$2.7 million. Based on 2006-2007 collections of \$12.5 million, 2005-2006 collections of \$11.2 million, and actual performance through October, this revenue category is expected to meet the budget estimate of \$11.8 million by year-end. In the Business Tax category, revenues of \$6.2 million through October were tracking slightly below the prior year level of \$6.3 million. This is, however, relatively strong performance given that last year there was an amnesty program in August and September that had generated over \$1 million in mostly one-time revenue. While it is early in the fiscal year, it

GENERAL FUND (CONT'D.)

KEY GENERAL FUND REVENUES (CONT'D.)

Licenses and Permits (Cont'd.)

is currently anticipated that Business Tax collections will meet the budgeted estimate of \$12.6 million by year-end. Disposal Facility Tax revenue of \$3.6 million through October is also tracking slightly below the \$3.7 million collected through the same period last year but is expected to meet the budget estimate of \$15.0 million by year-end.

Through October, Fire Permit collections of \$3.4 million were tracking slightly above estimated levels and well above the prior year receipts of \$2.1 million. In 2006-2007, however, receipts were understated because approximately \$700,000 was not deferred from 2005-2006 to 2006-2007. After adjusting for deferrals, revenues in the current year were tracking approximately 22% above 2006-2007 levels. Development-related collections of \$1.7 million are 29% above the \$1.3 million received through October 2006, primarily due to higher than anticipated revenue in non-renewable permits and plan check fees. Through October, non-renewable permit revenue of \$669,000 is tracking 41% above the prior year level of \$475,000 and plan check revenue of \$884,000 is tracking 24% above the October 2006 figure of \$710,000. Overall development activities are currently exceeding budgeted revenue estimates primarily due to increased activities in commercial and industrial development, despite anticipated slowdowns in residential development. At this time, the Department projects that it will end the year within budgeted revenue levels. The City Manager's Budget Office and Fire Department will continue to monitor revenues closely.

Year-to-date Building Permit revenues of \$7.0 million were tracking well below the budgeted level and slightly below the 2006-2007 collection level of \$7.3 million. Because collections in 2006-2007 also ended the year significantly below anticipated levels, growth of almost 15% would be required in 2007-2008 to meet the budget estimate. Through October, revenues are tracking far below estimated levels in building plan check and residential building and specialized trades permits. In the Building Permit area, October residential permit activity remained very low, at levels not seen since late 2001 (41 units in October and 429 units for the fiscal year, compared to 987 units for the same period last year). Commercial permit activity, however, reached its highest level in over five years, primarily due to the Riverpark Towers II, a 293,000 square foot high-rise office. This is the first non-governmental office project in the downtown since the Sobrato/BEA Systems building was completed in 2002. Industrial building permit activity was also at the highest level in over six years due, in large part, to the construction of a 208,000 square foot building in North San José by Cadence Design Systems.

While there has been major improvement in the commercial and industrial areas, on an overall basis, Building Permit revenues are tracking to end the year with a significant shortfall of over \$2 million. While any revenue shortfall could be offset by the use of the fee reserve and expenditure savings, the lack of revenue growth remains a major concern. Staff will continue to control expenditures to minimize the gap between revenue and expenditures in this fee program.

GENERAL FUND (CONT'D.)**KEY GENERAL FUND REVENUES (CONT'D.)****Licenses and Permits (Cont'd)**

The development-related revenues will be closely monitored to determine whether budget actions will be necessary during the year.

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Use of Money and Property	\$ 13,909,080	\$ 5,061,483	\$ 4,006,758

Use of Money and Property revenue collections of \$5.1 million through October were well above the prior year level of \$4.0 million, primarily reflecting higher cash balances in the General Fund. This category, however, is now beginning to be impacted by falling interest earning rates. Due to the strong collections in the first few months of the fiscal year and the higher than anticipated cash balances, overall revenues in this category are still expected to meet the budgeted estimate by year-end. Staff will continue to closely monitor revenues in this area to determine if any adjustment to the revenue estimate is necessary.

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Revenue from Local Agencies	\$ 49,365,361	\$ 15,308,776	\$ 7,282,770

This category includes reimbursement from the Redevelopment Agency for City services, grants from various agencies, reimbursement for fire suppression services in unincorporated County pockets, and reimbursement for emergency medical services. Revenues through October of \$15.3 million were well above the prior year level of \$7.3 million due solely to differences in the timing of payments. The City received \$10.1 million in reimbursement from the Redevelopment Agency for the Convention Center debt service payment in August of this fiscal year, which was earlier than last year. Revenues in this category are currently expected to end the year close to the adopted estimate.

GENERAL FUND (CONT'D.)**KEY GENERAL FUND REVENUES (CONT'D.)**

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Departmental Charges	\$ 30,714,618	\$ 10,747,817	\$ 10,918,647

Overall, the Departmental Charges category was performing slightly below budgeted estimates through October due to lower than projected Public Works revenues. Following is a discussion of the two major development-related fee areas in this category.

Planning Permit revenue of \$2.6 million was above the prior year collection level of \$1.8 million and is currently projected to meet or exceed the 2007-2008 revenue estimate of \$6.3 million. Revenues in most categories were performing at or above anticipated levels through October with the exception of annexations and the residential area for General Plan amendments, conventional rezonings/rezonings, and site development permits. This is welcome news given the poor performance in 2006-2007 that resulted in the use of almost all of the Planning Fee Reserve. The Budget Office will continue to work with the Planning, Building and Code Enforcement Department to project the year-end collection level and will bring forward appropriate adjustments, if necessary, to keep revenues and expenditures in balance.

Public Works revenues through October of \$2.1 million were, on the other hand, 21% below the prior year level of \$2.7 million and continued to track well below the projections for 2007-2008. To meet the 2007-2008 revenue estimate of \$8.7 million, growth of 7.6% over the prior year is needed. Collections in nearly every category are performing below expectations and a shortfall of up to \$2 million is projected by year-end if current collection trends continue. The Budget Office will continue to work with the Public Works Department to determine whether adjustments to revenues and expenditures will be necessary before year-end. The Public Works Fee Reserve and expenditure savings are available to offset any revenue shortfall.

Collections in the other fee areas, including Library, Police, Transportation, and Parks, Recreation and Neighborhood Services, are on target to meet or exceed the budgeted estimates by year-end.

GENERAL FUND (CONT'D.)**KEY GENERAL FUND REVENUES (CONT'D.)**

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Transfers and Reimbursements	\$ 100,604,767	\$ 47,920,497	\$ 40,405,838

This category includes overhead reimbursements from operating and capital funds, transfers, and other reimbursements. Transfers and Reimbursement collections of \$47.9 million through October were tracking above the prior year level of \$40.4 million due primarily to differences in the amounts budgeted for transfers and overhead from various operating funds. Overall, collections in the Transfers and Reimbursements category are expected to meet or exceed budgeted estimates by year-end based on higher overhead reimbursements from capital funds.

While the operating overhead reimbursements are typically received at the adopted budget level, the capital overhead reimbursements are received based on actual capital expenditures. These reimbursements are currently tracking above anticipated levels based on the activity levels in the capital funds and should exceed the budget estimate by year-end.

EXPENDITURES

Through October, General Fund expenditures of \$279.3 million were 15.9% above (up \$38.3 million) the prior year level of \$240.9 million. Encumbrances of \$50.9 million were 11.9% above (\$5.4 million) the prior year level of \$45.5 million.

Departmental expenditures of \$219.0 million were 16.2% above the prior year level of \$188.5 million. Over half of the increase in departmental expenditures occurred in the Police and Fire Departments that were up almost \$22 million from last year. A significant portion of this increase from the prior year reflects the multiple year retroactive salary increases for Fire sworn personnel that were awarded in arbitration. In the non-departmental area, expenditures of \$60.3 million were above the prior year level of \$52.4 million primarily due to the earlier booking of the Convention Center debt service payment of \$10.2 million (this earlier payment also resulted in higher revenues due to the earlier reimbursement by the Redevelopment Agency).

Expenditures and encumbrances (\$330.2 million) through October constitute 34.7% of the total 2007-2008 revised budgeted uses of funds (\$951.5 million, excluding reserves). On an overall basis, cumulative departmental and non-departmental expenditures appear to be tracking within approved budgeted levels through October. There are several departments that are currently tracking below anticipated levels in the personal services category due primarily to vacancies, including Parks, Recreation and Neighborhood Services, Transportation, Finance, City Attorney's Office, and Planning, Building and Code Enforcement.

GENERAL FUND (CONT'D.)

EXPENDITURES (CONT'D.)

Following is a discussion of the expenditure performance for the Police and Fire Departments, the City's largest General Fund departments.

KEY GENERAL FUND EXPENDITURES

<u>Department</u>	<u>2007-2008 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
Police	\$ 285,451,246	\$ 84,320,552	\$ 75,692,593

On an overall basis, Police Department expenditures were tracking close to estimated levels. Personal Services expenditures through October totaled \$79.2 million or 30.4% of the budget. This expenditure level is very close to the par level of 30.6%. Overtime expenditures through October, however, tracked slightly above anticipated levels at \$2.9 million or 37.2% of the budgeted level due to special summer events that occurred downtown. Lower activity levels in the winter months should offset these higher costs. The personal services budget includes \$1.3 million that was rebudgeted from 2006-2007 to fund the Police Department's Sworn Hire Ahead program. An additional \$762,000 was rebudgeted as part of the 2006-2007 Annual Report for this program. Under the Sworn Hire Ahead program, the Police Department hires new Officers to fill vacant positions before the positions become vacant to allow for the lengthy training period. The goal is to have a "street ready" officer available within 90 days of a vacancy. The Budget Office will continue to work closely with the Police Department to monitor this program and the overall personal services expenditures to ensure expenditures are within approved appropriations by year-end.

In the Sworn Recruitment and Training Program, the Police Department graduated 30 Police recruits from the January 2007 Academy, with the officers becoming street-ready in October 2007. In addition, the Department hired 31 Police recruits for the July 2007 Academy, with officers expected to be street-ready in April 2008. The Police Department was also given authorization to hire an additional 53 recruits for the January 2008 Academy. Of that amount, the Police Department identified 45 recruits to start the next academy, with an expectation that these recruits will be street-ready by October 2008.

The compensatory time balance at the end of October 2007 was 245,480 hours for sworn personnel. This represents a 10,287 hour increase (4.4%) compared to the October 2006 balance of 235,193. The increase in sworn compensatory time balances is due to a number of factors, including responses to specific types of crimes such as homicides that require immediate and intensive investigations, and the need to backfill for vacancies. The Police Department will continue to monitor balances and, to the extent possible, implement measures to curb the level of compensatory time accrued.

GENERAL FUND (CONT'D.)**KEY GENERAL FUND EXPENDITURES (CONT'D.)****Police Department (Cont'd.)**

A total of \$9.0 million (36.6%) of the Police Department's Non-Personal/Equipment budget was expended or encumbered through October. It is estimated that the Department will end the year within its Non-Personal/Equipment allocation.

<u>Department</u>	<u>2007-2008 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
Fire	\$ 152,016,673	\$ 52,102,937	\$ 38,826,655

Overall, expenditures for the Fire Department were tracking within estimated levels through October with 34% expended.

Through October, Personal Services expenditures of \$50.1 million tracked above estimated levels (34.7% versus a par level of 30.6%) primarily due to a \$9 million payout for 2007-2008 salary adjustments resulting from the IAFF arbitration resolution. Additional payouts for retroactive pay increases and additional special pays are estimated to occur in December and January. An additional \$16 million was budgeted in the Department's 2007-2008 Personal Services appropriation in the 2006-2007 Annual Report to cover a portion of these higher expenditures. The remaining portion will be budgeted in the Mid-Year Review, which should bring the Department back within budgeted levels. Salary and benefit expenditures of \$47.5 million tracked well above par level, while overtime expenditures tracked at lower than estimated levels with \$2.5 million expended (18.3%). The lower overtime expenditure level is due to various budgeted overtime activities (such as the Fire Engineer Academy) that have not yet occurred. At this time, the Fire Department expects that overtime expenditures at year-end will be lower than budgeted. Savings in this category, however, will be needed to offset projected higher expenditures in salaries and benefits. The Fire Department currently anticipates ending the year within the budgeted allocation for Personal Services expenditures.

Through October, the Fire Department had a total of 280 filled paramedics (183 front-line, 5 Supervisors, and 92 support). Of the 26 Firefighters that graduated from the January 2007 Academy in April 2007, 21 secured paramedic accreditation through October 2007. Of the 25 recruits that began the April 2007 Academy, 19 graduated in August 2007, with four completing paramedic accreditation through October 2007. The remaining 15 Firefighters are expected to complete their paramedic accreditation by December 2007. A Firefighter-EMT Recruit Academy is scheduled to begin in November 2007 with 30 Recruits. The Department projects it will have no problem maintaining the target staffing level of 154 front-line Firefighter Paramedics. The number of targeted front-line Firefighter Paramedics increased (from 147) for Fire Station 33 which came online in August 2007, and Fire Station 35 which came online in October 2007.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND EXPENDITURES (CONT'D.)

Fire Department (Cont'd.)

The Department's Non-Personal/Equipment budget of \$7.7 million was 47.2% expended or encumbered through October. The Department estimates that it will end the year within the budgeted allocation.

CONTINGENCY RESERVE

Through October, the General Fund Contingency Reserve was at \$30.3 million, up by \$1.3 million from the 2007-2008 Adopted Budget level of \$29.1 million. The following revisions to the Contingency Reserve were approved through October:

- A decrease of \$150,000 to support the completion of the Evergreen-East Hills Development Policy Update.
- An increase of \$1,264,843 to bring the Contingency Reserve to 3% of the budget based on the Annual Report actions.
- An increase of \$150,000 to restore the funding that was used to support the Evergreen-East Hills Development Policy Update.

OTHER FUNDS

Construction and Conveyance Tax Funds

As anticipated, Construction and Conveyance Tax revenues continue to decline due to the slowdown in the local real estate market. Collections through October totaled \$8.7 million, down 19% from the \$10.8 million collected through October 2006. In addition to these revenues, the City has since received November Conveyance Tax receipts totaling \$2.5 million. This amount is 21% lower than the November 2006 amount of \$3.2 million. With this decrease, Construction and Conveyance collections have now experienced decreases in 17 out of the last 19 months when compared to the same months in the prior years, which reflects primarily the drop in the number of property transfers (sales). When the 2007-2008 Adopted Budget was developed it was assumed that collections would fall significantly from the extremely high levels experienced in the last four years. Collections can decline 35% from the \$41.8 million collected in 2006-2007 and still meet the current budget estimate of \$27.0 million.

Construction and Conveyance Taxes are almost entirely generated from property transfers, and activity in that area has slowed significantly over the past year. In October, the number of property transfers for all types of residences has decreased by approximately 47% from the prior year. While the number of transactions is down, the median home price is surprisingly still up when compared to October 2006. The median home price in October 2007 was \$737,000, up 2% from the October 2006 of \$721,500. Also as anticipated, it is taking slightly longer to sell homes, with the average days-on-market growing from 49 days in October 2006 to 53 days in October 2007. It should be noted, however, that the October 2007 days-on-market figure of 53 days is almost twice as long as the 29 days in October 2005.

Other Construction-Related Revenues

Through October, permit valuation for residential construction activity was below prior year levels while commercial and industrial construction activity were above prior year levels. Residential permit activity has been extremely slow, with only 41 units in October. Groundbreaking occurred on a mixed-use project comprised of 95 senior apartments, 32 townhomes, and 4,500 square feet of commercial space in the Burbank/Del Monte SNI area. New commercial construction activity reached its highest level in over five years with valuation for commercial permit activity at \$61.2 million. A permit was issued for *Riverpark Towers II*, a 293,000-square foot high-rise office by Legacy Partners. Industrial activity also reached its highest level in six-and-a-half years with valuation for industrial permit activity at \$61.9 million. A permit was issued to *Cadence Design Systems* for construction of a 208,000-square foot building at the company's headquarters. This permit activity drives the revenue collection in several categories, including the Construction Excise Tax, the Building and Structure Construction Tax, and the Residential Construction Tax, and is an indicator of future activity for several other categories, such as the storm and sanitary sewer system fees.

Through October, actual receipts for the seven revenue sources monitored for this report totaled \$10.1 million, which represented an increase of 2.2% from the \$9.9 million collected through the same period last year. The major revenue sources – Building and Structure Construction Taxes

OTHER FUNDS**Other Construction-Related Revenues (Cont'd.)**

and Construction Excise Taxes – tracked above the 2006-2007 collection levels. Building and Structure Tax receipts through October totaled \$4.2 million, which was 41.0% of the 2007-2008 estimated level of \$10.2 million. This represented an increase of 10.4% from the revenues collected through the same period last year (\$3.8 million). The budgeted estimate for this category allows for a 4.3% drop in 2007-2008. Construction Excise Tax revenues through October totaled \$5.5 million (37.1% of the current 2007-2008 estimate of \$14.8 million), which represented an increase of 7.2% from the revenues collected through the same period last year (\$5.1 million). The budgeted estimate for this category represents a 2.0% increase in 2007-2008.

Other construction-related revenues are generated by Residential Construction Taxes, Municipal Water Service Connection Fees, Municipal Water Major Facilities Fees, Sanitary Sewer Fees, and Storm Drain Fees. All these fees except for the Municipal Water Major Facilities Fees were tracking well below prior year levels through October and staff will need to carefully monitor these revenues through the remainder of the year. Storm Drain Fees totaled \$52,000, which represented 17.2% of the current 2007-2008 estimate of \$304,000. This collection level reflected a 40.8% decrease from the fees received through the same period last year (\$88,000). Sanitary Sewer Fees totaled \$270,000, which represented 22.2% of the current 2007-2008 estimate of \$1.2 million. This collection level reflected a 65.9% decrease from the fees collected through the same period last year (\$791,000). Residential Construction Taxes totaled \$29,000, which represented 11.2% of the current 2007-2008 estimate of \$256,000 and a 68.7% decrease from the fees received through the same period last year (\$92,000). Municipal Water Service Connection Fees totaled \$10,000, which represented 2.9% of the current 2007-2008 estimate of \$360,000. This collection level was 74.4% below the prior year (\$41,000). In contrast, Municipal Water Major Facilities Fees totaled \$113,000, which represented 75.1% of the current 2007-2008 estimate of \$150,000. This collection level was significantly above the prior year level of only \$1,000 for the same period. Because both Municipal Water Service Connection Fees and Municipal Water Major Facilities Fees recover actual costs to install new services, this collection level is coupled with lower/higher costs as well.

Airport Funds

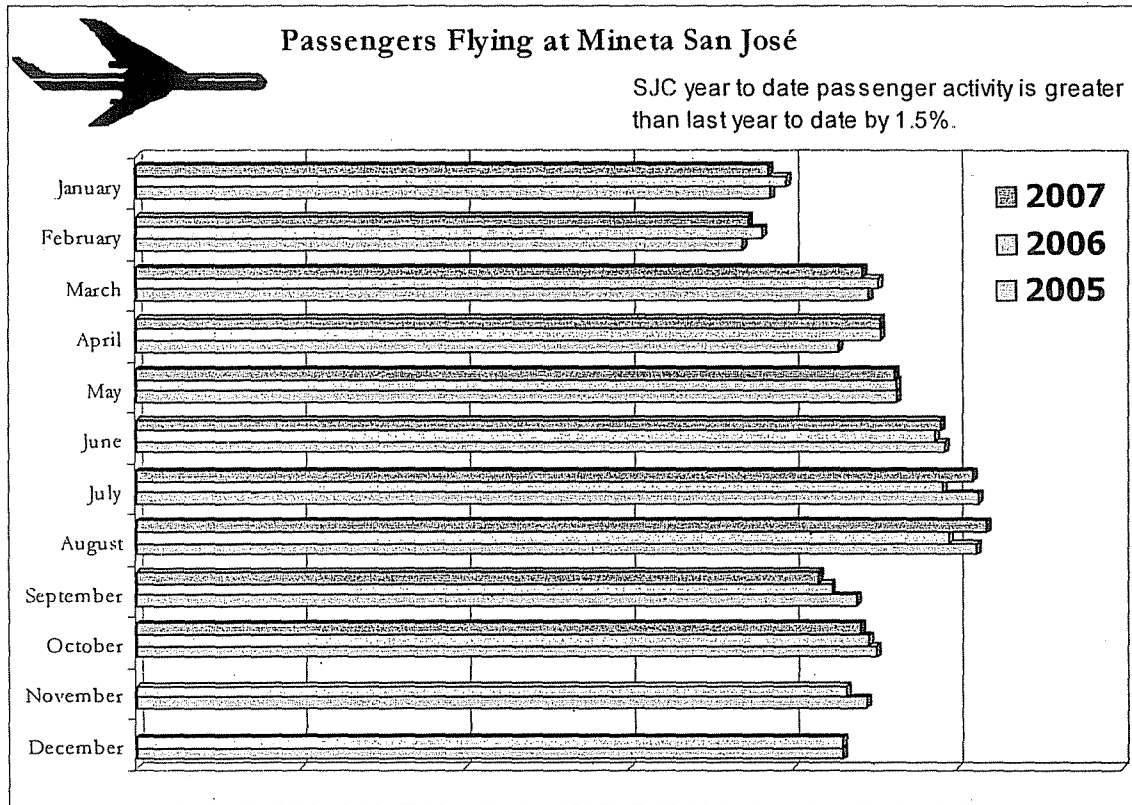
On an overall fiscal year-to-date basis, the Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 3.8 million passengers, a slight net increase (1.5%) from the figures reported through October of the prior year. After a solid start in the first two months of the fiscal year, September and October activity actually declined 1.6% compared with September/October 2006.

Fiscal year-to-date mail, freight and cargo totaled 62.0 million pounds, which represents a 5.7% decrease from 2005-2006. Traffic Operations (landings and takeoffs) exceeded the prior year by 2.0% while Landed Weights trail last year by 0.4%. Year-to-date Passenger Facility Charge (PFC) revenues were 0.9% greater than the previous fiscal year.

December 6, 2007

Subject: Bi-Monthly Financial Report for September/October 2007

Page 18

OTHER FUNDS**Airport Funds (Cont'd.)**

Through October 2007, total operating revenues of \$37.28 million were exceeding both the budgeted estimate and the revenue levels for the same period last year. This higher collection level was primarily the result of higher terminal rentals and rental cars concession fees despite lower landing fees. The collection of a \$1.5 million one-time signing bonus for the new advertising contract with Clear Channel Airports partly contributed to the higher revenue levels compared to last year.

Through October, Airport Maintenance and Operations Fund expenditures tracked below estimate levels in both personal services and non-personal/equipment expenditure categories. Personal services expenditures were 28.0% of budget compared to the benchmark of 30.6%, with savings attributed to vacancies. Non-personal expenditures were 20.4% of budget compared to the benchmark of 24.0%. The expenditure analysis includes 2006-2007 Annual Report adjustments for salary program and an increase in the overhead rate. Encumbrances of \$9.3 million bring total personal and non-personal commitments to \$28.6 million or 35.2% of budget.

Expenditures in the Airport Customer Facilities and Transportation Fee Fund are 4.4% less than last year.

OTHER FUNDS

Transient Occupancy Tax Fund

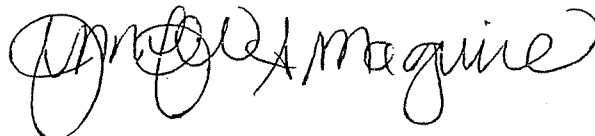
Transient Occupancy Tax (TOT) collections of \$3.9 million through October were above both prior year collection and budgeted levels. As described earlier for General Fund Transient Occupancy Tax collections, the October 2007 occupancy rate at the 14 major hotels was 66.27%, which was above the September 2007 rate of 55.31% but slightly below the October 2006 rate of 68.36%. The average room rate increased from \$134.43 in October 2006 to \$143.98 in October 2007. Collections in this fund are anticipated to finish the year above the budgeted level.

CONCLUSION

Through October, the City's finances remain in sound condition, with revenues and expenditures generally tracking within estimated levels. The City's financial performance in 2006-2007 provided a solid starting point for 2007-2008, which may prove to be very beneficial given the weakness in the current economic environment.

When the 2007-2008 Adopted Budget was developed, it was assumed that only modest economic growth would be experienced this fiscal year, hampered in particular by the slowdown in the housing market. Unfortunately, this basic underlying assumption is proving to be accurate to-date. Under the current economic environment, it is anticipated that this region, along with the State and the U.S. as a whole, will face challenges this fiscal year that will continue into 2008-2009. The extent of those challenges remains the question. The most recent economic forecasts, however, have not been encouraging, with many economists pointing to a higher probability of an actual recession than previously estimated. At this point, minimal economic growth is still expected in 2007-2008. As noted earlier, the stronger than anticipated revenue performance at the end of 2006-2007 provides somewhat of a buffer to help address a slowdown in the current year; but staff will need to closely monitor the economic situation and collections of the City's most economically sensitive revenues to assure the City can react quickly and appropriately should conditions deteriorate more than had been anticipated.

As always, staff will continue to report to the City Council any and all significant developments through this reporting process.



JENNIFER A. MAGUIRE
Acting Budget Director



FINANCE DEPARTMENT

Monthly Financial Report

Financial Results for the 4 Months Ended October 31, 2007
Fiscal Year 2007-08

Finance Department, City of San José
Monthly Financial Report
Financial Results for the 4 Months Ended October 31, 2007
Fiscal Year 2007-08

Table of Contents

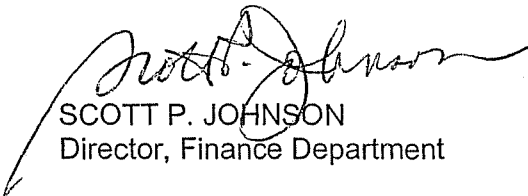
	<i>Page Reference</i>
General Fund	
Comparison of Current Year's Monthly Cash Balance vs. Prior Year's Balance.....	1
Comparison of Current Year-to-Date Revenues vs. Prior Year-to-Date Revenues.....	2
Comparison of Current Year-to-Date Expenditures vs. Prior Year-to-Date Expenditures.....	2
Comparison of Current Year-to-Date Revenues for Major Revenue Sources vs. Prior Year-to-Date Revenues.....	3
Comparison of Current Year-to-Date Expenditures by Type vs. Prior Year-to-Date Expenditures.....	3
Schedule of Sources and Uses of Funds.....	4
Supplemental Schedule of Departmental Revenues.....	7
Other Funds	
<i>Special Revenue Funds</i>	
Comparison of Construction & Conveyance Tax Funds YTD Revenues vs. Prior Year's Corresponding YTD Revenues.....	8
Comparison of Construction & Conveyance Tax Funds YTD Expenditures vs. Prior Year's Corresponding YTD Expenditures.....	8
Schedule of Sources and Uses of Funds	9
<i>Enterprise Funds</i>	
YTD Revenues and YTD Expenditures for:	
Airport Revenue Fund 521 and Airport Maintenance & Operating Fund 523.....	11
WPCP Operating Fund 513.....	12
Parking Operations Fund 533.....	13
Schedule of Sources and Uses of Funds	14

Finance Department, City of San José
Monthly Financial Report
Financial Results for the 4 Months Ended October 31, 2007
Fiscal Year 2007-08

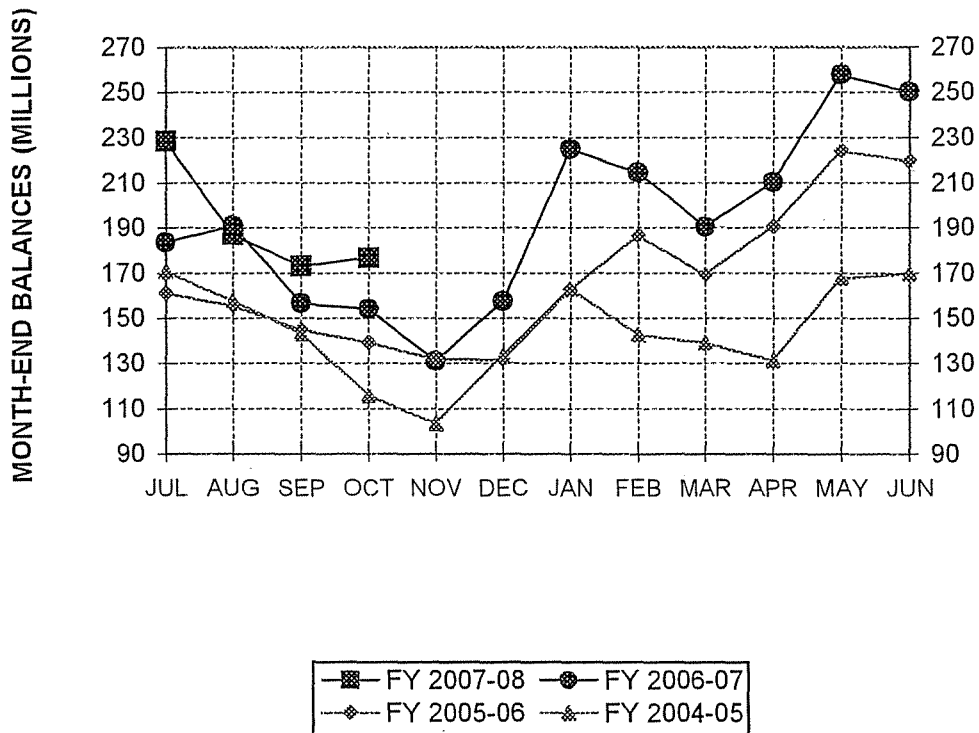
Table of Contents

	<i>Page Reference</i>
Other Funds (Cont'd)	
<i>Capital Project Funds</i>	
Schedule of Sources and Uses of Funds.....	15
<i>Other Fund Types</i>	
Schedule of Sources and Uses of Funds.....	16

Submitted by:


SCOTT P. JOHNSON
Director, Finance Department

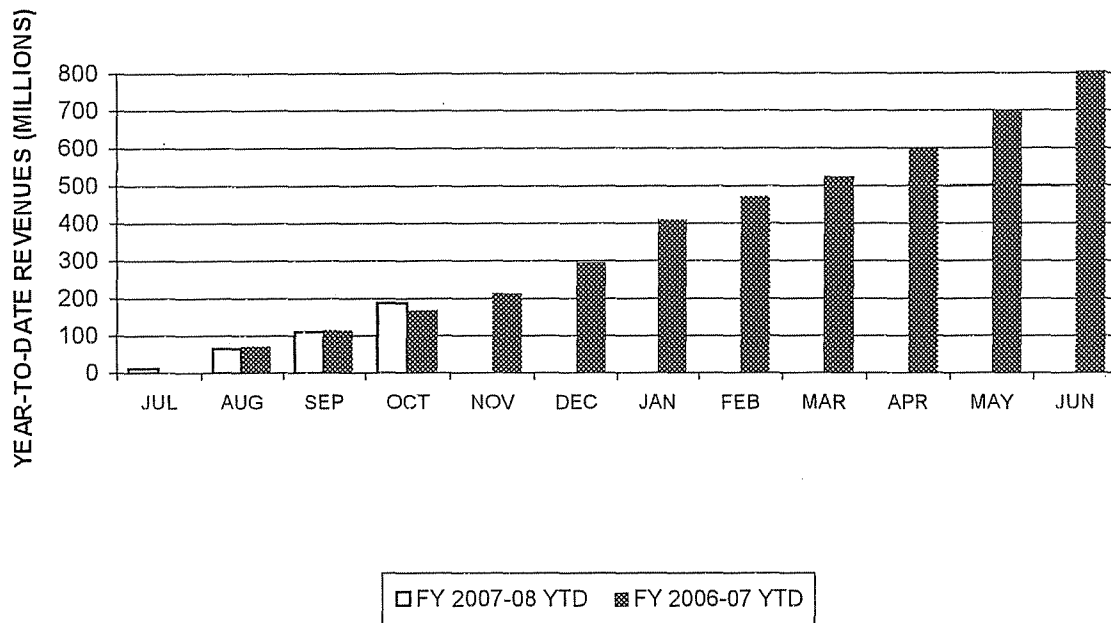
GENERAL FUND Comparison of Cash Balances



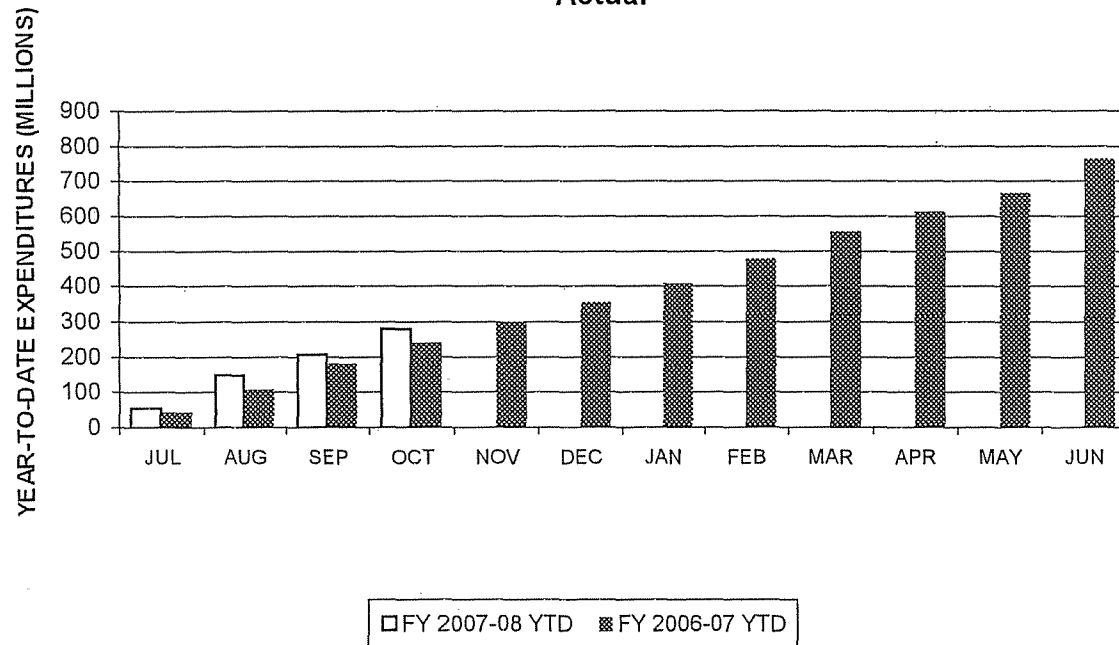
GENERAL FUND MONTHLY CASH BALANCES

MONTH	FY 2007-08	FY 2006-07	FY 2005-06	FY 2004-05
JULY	\$ 228,551,607	\$ 183,638,084	\$ 161,103,519	\$ 170,866,370
AUGUST	186,835,010	190,974,568	155,276,638	157,724,418
SEPTEMBER	173,043,887	156,674,730	144,980,057	143,118,210
OCTOBER	176,617,539	154,011,382	139,052,451	115,750,195
NOVEMBER		131,009,877	131,757,140	103,292,889
DECEMBER		157,479,064	131,612,938	133,482,542
JANUARY		224,766,520	162,598,761	162,721,265
FEBRUARY		214,574,932	186,471,797	142,587,409
MARCH		190,320,128	169,141,222	139,318,867
APRIL		210,342,744	190,637,410	131,310,126
MAY		257,771,653	224,072,193	167,609,044
JUNE		250,180,874	219,498,514	169,498,646

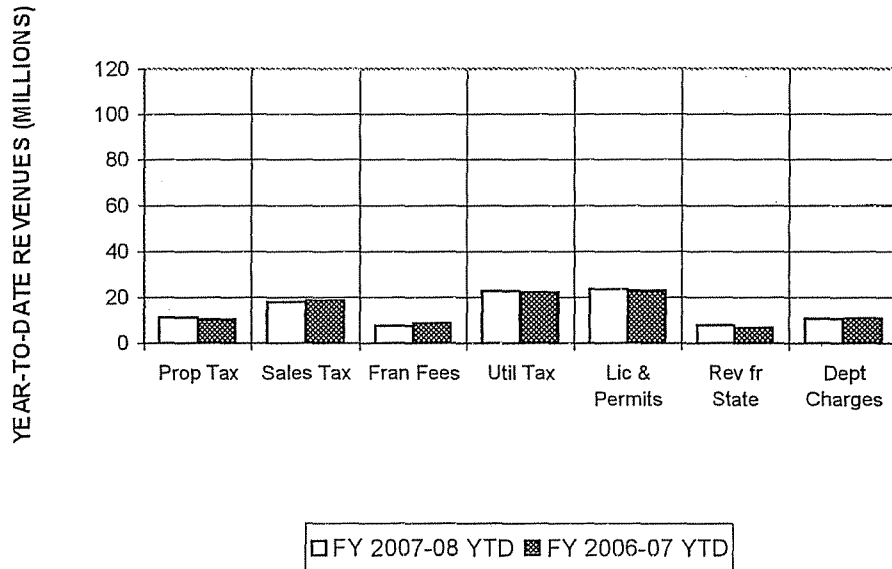
GENERAL FUND **Comparison of YTD Revenues** **Actual**



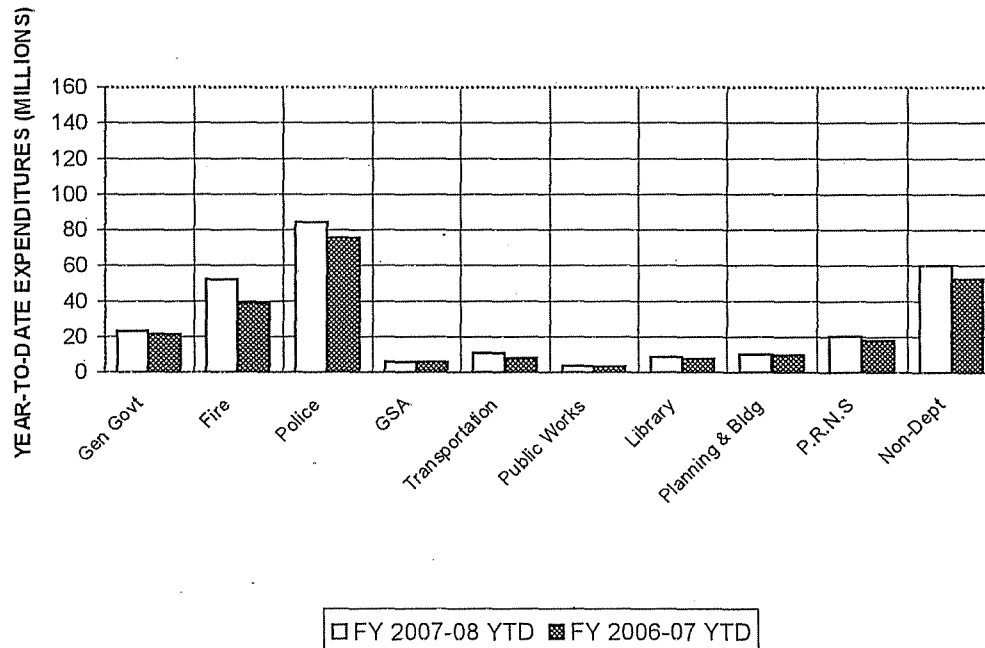
GENERAL FUND **Comparison of YTD Expenditures** **Actual**



GENERAL FUND MAJOR REVENUES
Comparison of YTD Actual vs. Prior YTD Actual
For the 4 Months Ended October 31, 2007



GENERAL FUND MAJOR EXPENDITURES
Comparison of YTD Actual vs. Prior YTD Actual
For the 4 Months Ended October 31, 2007



Note: State Budget Balancing actions resulted in the "Triple Flip", which suspended a portion of local government's Sales and Use Tax and Motor Vehicle License Fee revenues and replaced them with local property tax revenues. The 2007-2008 impact through October 2007, after receiving the second half of the triple flip payment in May 2007, is approximately \$14 million.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE 4 MONTHS ENDED OCTOBER 31, 2007
(UNAUDITED)
(\$'000's)

	ADOPTED FY 2007-08 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2007-08 BUDGET	CUR YTD ACTUAL	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Fund Balance											
Prior Year Encumbrances	\$ -	-	28,678	28,678	28,678	100.00%	25,894	103.06%	25,124	2,785	10.75%
Liquidation of c/o Encumbrance	-	-	-	-	-	-	-	-	-	-	-
Available Balance	205,468	42,161	-	247,630	247,630	100.00%	209,493	100.04%	209,418	38,137	18.20%
Total Fund Balance	205,468	42,161	28,678	276,308	276,308	100.00%	235,386	100.36%	234,542	40,922	17.39%
General Revenues											
Property Tax	198,154	-	-	198,154	11,264	5.68%	10,353	5.46%	189,683	911	8.80%
Sales Tax (Note 2)	152,636	-	-	152,636	18,005	11.80%	18,940	12.63%	149,962	(935)	-4.94%
Transient Occupancy Tax	8,988	-	-	8,988	2,659	29.59%	2,050	23.84%	8,600	609	29.72%
Franchise Fees	39,032	-	-	39,032	7,608	19.49%	8,845	21.89%	40,415	(1,237)	-13.98%
Utility Tax	79,141	-	-	79,141	22,918	28.96%	22,182	28.03%	79,129	736	3.32%
Licenses and Permits	79,719	(233)	-	79,486	23,687	29.80%	23,107	30.99%	74,562	580	2.51%
Fines, Forfeits and Penalties	14,708	-	-	14,708	5,063	34.42%	4,717	33.57%	14,052	346	7.33%
Use of Money and Property	13,909	-	-	13,909	5,061	36.39%	4,008	25.64%	15,634	1,053	26.28%
Revenue from Local Agencies	47,243	2,115	-	49,358	15,309	31.02%	7,283	16.07%	45,314	8,026	110.20%
Revenue from State of Cal.	10,429	56	-	10,486	7,777	74.17%	6,847	52.56%	13,028	930	13.59%
Revenue from Federal Government	6,143	1,110	-	7,253	1,062	14.64%	(388)	-2.79%	13,907	1,450	-373.59%
Departmental Charges (Note 1)	30,715	-	-	30,715	10,748	34.99%	10,919	36.64%	29,801	(171)	-1.57%
Other Revenues	18,527	1,649	-	20,176	7,878	39.04%	8,897	32.80%	27,128	(1,019)	-11.46%
Total General Revenues	699,344	4,697	-	704,041	139,039	19.75%	127,760	18.22%	701,215	11,279	8.83%
Transfers & Reimbursements											
Overhead Reimbursements	33,135	-	-	33,135	22,916	69.16%	17,631	51.40%	34,301	5,285	29.97%
Transfers from Other Funds	49,646	-	-	49,646	21,787	43.89%	19,726	37.43%	52,699	2,061	10.45%
Reimbursements for Services	17,825	-	-	17,825	3,218	18.05%	3,049	17.18%	17,746	169	5.53%
Total Transfers & Reimburse	100,605	-	-	100,605	47,920	47.63%	40,406	38.58%	104,746	7,514	18.60%
Total Sources	\$ 1,005,417	46,859	28,678	1,080,954	463,267	42.86%	403,552	38.78%	1,040,503	59,715	14.80%

Note 1 - See Supplemental Schedule on Page 7

Note 2 - State Budget Balancing actions resulted in the "Triple Flip", which suspended a portion of local government's Sales and Use Tax and Motor Vehicle License Fee revenues and replaced them with local property tax revenues. The 2007-2008 impact through October 2007, after receiving the second half of the triple flip payment in May 2007, is approximately \$14 million.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE 4 MONTHS ENDED OCTOBER 31, 2007
(UNAUDITED)
(\$000's)

	ADOPTED	YTD		REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END	% CHANGE	
	FY 2007-08	BUDGET	C/O	FY 2007-08	ACTUAL	ENCUMBR	ACTUAL %	YTD	OF PRIOR	BUDGETARY	CUR YTD LESS	CUR YTD ACTUAL
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	OF BUDGET	ACTUAL(1)	YEAR-END	ACTUAL	PRIOR YTD	LESS PRIOR YTD
											ACTUAL(1)	ACTUAL
General Government												
Mayor and Council	\$ 9,665	(220)	28	9,473	2,176	52	22.97%	2,087	31.30%	6,695	89	4.26%
City Attorney	13,385	401	1,607	15,393	3,736	1,546	24.27%	3,386	27.39%	13,969	350	10.34%
City Auditor	2,835	132	10	2,976	778	69	26.13%	723	30.51%	2,380	55	7.57%
City Clerk	3,046	880	38	3,964	551	61	13.91%	476	12.94%	3,716	75	15.81%
City Manager	9,776	2,732	341	12,848	3,346	514	26.04%	2,582	28.91%	9,271	764	29.60%
Finance	11,487	339	515	12,340	3,280	644	26.58%	3,062	30.82%	10,451	218	7.12%
Information Technology	16,990	252	739	17,981	4,870	1,617	27.08%	4,684	31.29%	15,707	186	3.96%
Employee Services	7,724	95	160	7,978	2,090	448	26.19%	1,850	28.74%	6,598	240	12.95%
Redevelopment Agency	1,411	42	-	1,452	375	-	25.79%	388	31.09%	1,248	(13)	-3.46%
Independent Police Auditor	833	28	9	870	256	3	29.39%	237	31.27%	767	19	7.84%
Office of Economic Development	4,461	21	709	5,190	1,408	686	27.13%	1,714	37.64%	5,263	(306)	-17.83%
Office of Emergency Services	532	6	-	538	153	-	28.43%	124	30.02%	413	29	23.26%
Total General Government	82,143	4,707	4,154	91,004	23,018	5,640	25.29%	21,313	29.47%	76,478	1,705	8.00%
Public Safety												
Fire	134,390	17,263	364	152,017	52,103	1,583	34.27%	38,827	30.58%	127,314	13,276	34.19%
Police	281,142	1,856	2,453	285,451	84,321	3,884	29.54%	75,693	29.40%	259,901	8,628	11.40%
Total Public Safety	415,532	19,119	2,817	437,468	136,423	5,467	31.18%	114,519	29.79%	387,215	21,904	19.13%
Capital Maintenance												
General Services	19,389	172	2,268	21,830	5,824	6,567	26.68%	5,752	30.40%	21,189	72	1.25%
Transportation	34,267	(38)	773	35,002	10,984	2,515	31.38%	7,815	25.53%	31,386	3,169	40.55%
Public Works	10,641	137	337	11,115	3,536	1,311	31.81%	3,312	33.63%	10,186	224	6.77%
Total Capital Maintenance	64,298	271	3,378	67,947	20,344	10,393	29.94%	16,879	28.42%	62,761	3,465	20.53%

(1) Does not include encumbrance balance.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE 4 MONTHS ENDED OCTOBER 31, 2007
(UNAUDITED)
(\$000's)

	ADOPTED	YTD		REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END	% CHANGE	
	FY 2007-08	BUDGET	C/O	FY 2007-08	ACTUAL	ENCUMBR	ACTUAL %	YTD	OF PRIOR	BUDGETARY	CUR YTD LESS	CUR YTD ACTUAL
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	OF BUDGET	ACTUAL(1)	ACTUAL	ACTUAL	PRIOR YTD LESS	PRIOR YTD ACTUAL
Community Service												
Library	28,807	535	93	29,435	8,581	361	29.15%	7,552	28.02%	27,041	1,029	13.62%
Planning, Bldg & Code Enf.	39,284	251	323	39,858	10,313	600	25.87%	9,902	30.10%	33,220	411	4.15%
Park, Rec & Neigh Svcs	65,046	220	3,805	69,071	20,311	6,700	29.41%	18,142	31.66%	61,104	2,169	11.96%
Environmental Services	1,786	(282)	356	1,859	15	866	0.79%	214	16.14%	1,682	(199)	-93.15%
Total Community Services	134,924	723	4,576	140,223	39,219	8,527	27.97%	35,810	30.23%	123,047	3,409	9.52%
Total Dept. Expenditures	\$ 696,896	24,820	14,926	736,641	219,004	30,026	29.73%	188,522	29.71%	649,501	30,483	16.17%
Non-Dept Expenditures												
City-wide Expenditures:												
Econ & Neighborhood Develop.	\$ 29,920	1,799	2,092	33,811	13,549	4,030	40.07%	5,160	20.87%	26,814	8,389	162.58%
Environmental & Utility Services	1,352	14	318	1,684	66	904	3.91%	203	19.46%	1,361	(137)	-67.57%
Public Safety	5,623	516	2,072	8,210	1,741	2,373	21.20%	2,884	19.66%	16,740	(1,143)	-39.64%
Recreation & Cultural Services	11,338	1,496	1,910	14,744	2,561	3,019	17.37%	2,181	25.42%	10,491	380	17.43%
Transportation Services	3,133	(18)	325	3,440	376	335	10.94%	356	18.34%	2,266	20	5.67%
Strategic Support	76,719	(119)	2,958	79,558	12,163	4,251	15.29%	10,108	24.14%	44,822	2,055	20.33%
Total City-wide Expenditures	128,085	3,688	9,674	141,448	30,456	14,913	21.53%	20,892	22.51%	102,494	9,564	45.78%
Capital Contributions	22,380	17,594	4,078	44,052	3,443	6,006	7.81%	2,747	32.02%	12,657	696	25.32%
Transfers to Other Funds	28,877	566	-	29,443	26,353	-	89.51%	28,757	97.62%	29,459	(2,404)	-8.36%
Total Non-Dept Expenditures	179,342	21,848	13,753	214,942	60,252	20,919	28.03%	52,396	40.04%	144,610	7,856	14.99%
Reserves												
Contingency Reserves	29,139	1,265	-	30,404	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	100,041	(1,074)	-	98,967	-	-	0.00%	-	0.00%	-	-	0.00%
Total Reserves	129,179	191	-	129,371	-	-	0.00%	-	0.00%	-	-	0.00%
Total Uses	\$ 1,005,417	46,859	28,678	1,080,954	279,256	50,945	25.83%	240,918	31.47%	794,111	38,340	15.91%

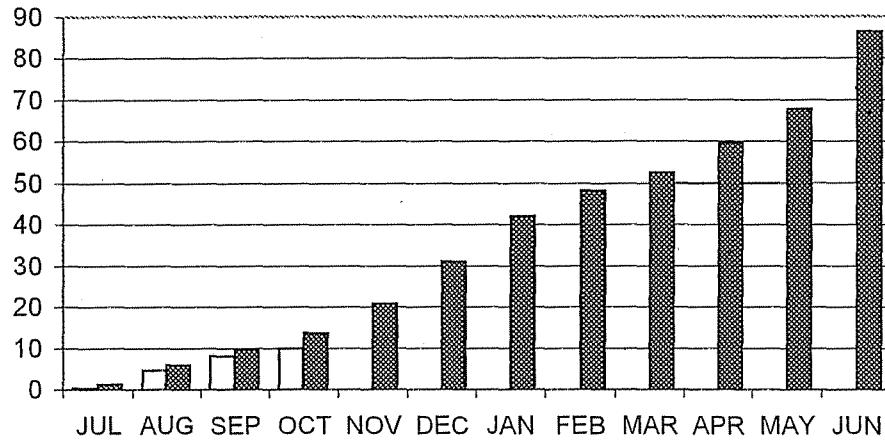
(1) Does not include encumbrance balance.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FOR THE 4 MONTHS ENDED OCTOBER 31, 2007
SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
(UNAUDITED)
(\$000's)

	ADOPTED	YTD		REVISED	CUR	CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END		% CHANGE
	FY 2007-08	BUDGET	C/O	FY 2007-08	YTD	ACTUAL %	YTD	OF PRIOR	BUDGETARY	CUR YTD LESS	CUR YTD ACTUAL
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	OF BUDGET	ACTUAL	YEAR-END	BASIS	PRIOR YTD	LESS PRIOR YTD
								ACTUAL	ACTUAL	ACTUAL	ACTUAL
Police	\$ 1,568	-	-	1,568	496	31.60%	622	36.74%	1,693	(126)	-20.33%
Public Works	8,674	-	-	8,674	2,131	24.56%	2,700	33.49%	8,063	(569)	-21.08%
Transportation	1,049	-	-	1,049	327	31.16%	586	47.11%	1,244	(259)	-44.21%
Library	1,307	-	-	1,307	31	2.38%	389	28.79%	1,351	(358)	-92.01%
Planning, Bldg & Code Enf	6,264	-	-	6,264	2,632	42.01%	1,841	34.50%	5,337	791	42.94%
Parks Rec & Neigh Svcs	7,953	-	-	7,953	4,177	52.52%	3,979	47.26%	8,419	198	4.97%
Miscellaneous Dept Charges	3,900	-	-	3,900	955	24.50%	802	21.71%	3,694	153	19.12%
Total Departmental Revenues	\$ 30,715	-	-	30,715	10,748	34.99%	10,919	36.64%	29,801	(171)	-1.57%

CONSTRUCTION & CONVEYANCE TAX FUNDS Comparison of YTD Revenues

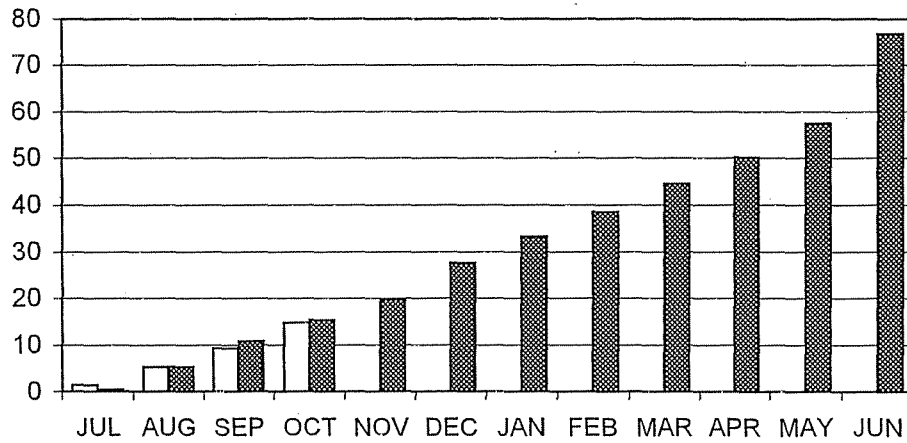
YEAR-TO-DATE REVENUES (MILLIONS)



□ FY 2007-08 YTD ■ FY 2006-07 YTD

CONSTRUCTION & CONVEYANCE TAX FUNDS Comparison of YTD Expenditures

YEAR-TO-DATE EXPENDITURES (MILLIONS)



□ FY 2007-08 YTD ■ FY 2006-07 YTD

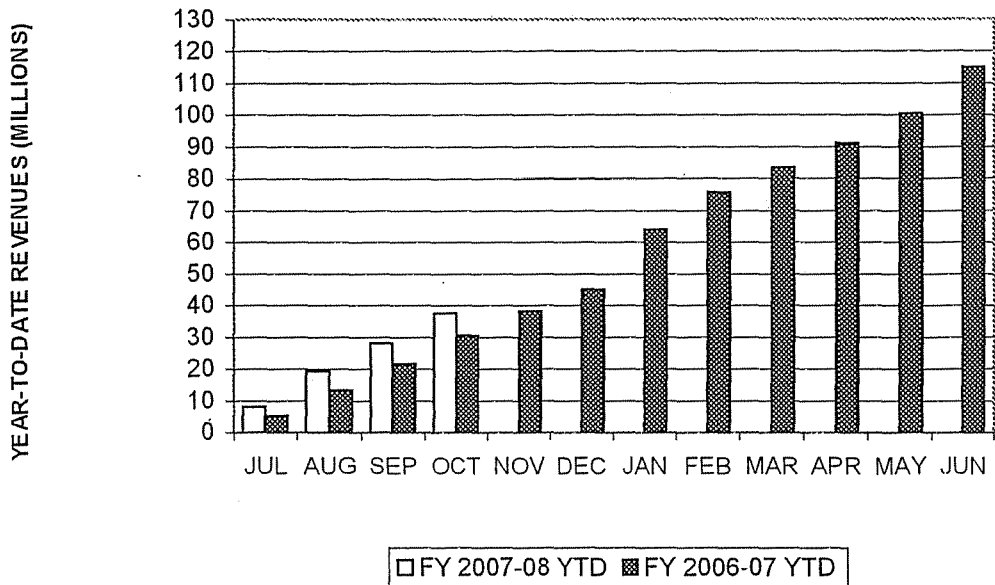
CITY OF SAN JOSE
SPECIAL REVENUE FUNDS
SOURCE AND USE OF FUNDS
FOR THE 4 MONTHS ENDED OCTOBER 31, 2007
(UNAUDITED)
(\$000's)

	ADOPTED FY 2007-08 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2007-08 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Construction/Conveyance Tax							
Prior Year Encumbrance	\$ -	-	13,679	13,679	13,679	N/A	21,473
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	84,720	16,289	-	101,009	101,009	N/A	83,440
Revenues	43,610	6,299	-	49,909	9,991	N/A	13,617
Total Sources	128,330	22,588	13,679	164,597	124,679	N/A	118,530
Total Uses	128,330	22,588	13,679	164,597	14,805	16,262	15,307
Gas Tax							
Prior Year Encumbrance	-	-	-	-	-	N/A	-
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	-	-	-	-	-	N/A	-
Revenues	17,200	-	-	17,200	4,703	N/A	4,562
Total Sources	17,200	-	-	17,200	4,703	N/A	4,562
Total Uses	17,200	-	-	17,200	3,218	-	3,049
Building and Structures							
Prior Year Encumbrance	-	-	8,200	8,200	8,200	N/A	10,817
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	13,599	6,382	-	19,982	19,982	N/A	25,820
Revenues	19,753	1,799	-	21,552	5,916	N/A	3,980
Total Sources	33,352	8,181	8,200	49,733	34,097	N/A	40,617
Total Uses	33,352	8,181	8,200	49,733	5,170	11,281	6,977
Residential Construction							
Prior Year Encumbrance	-	-	1	1	1	N/A	1
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	1,370	(33)	-	1,337	1,337	N/A	1,207
Revenues	256	-	-	256	29	N/A	92
Total Sources	1,626	(33)	1	1,594	1,367	N/A	1,300
Total Uses	\$ 1,626	(33)	1	1,594	41	-	38

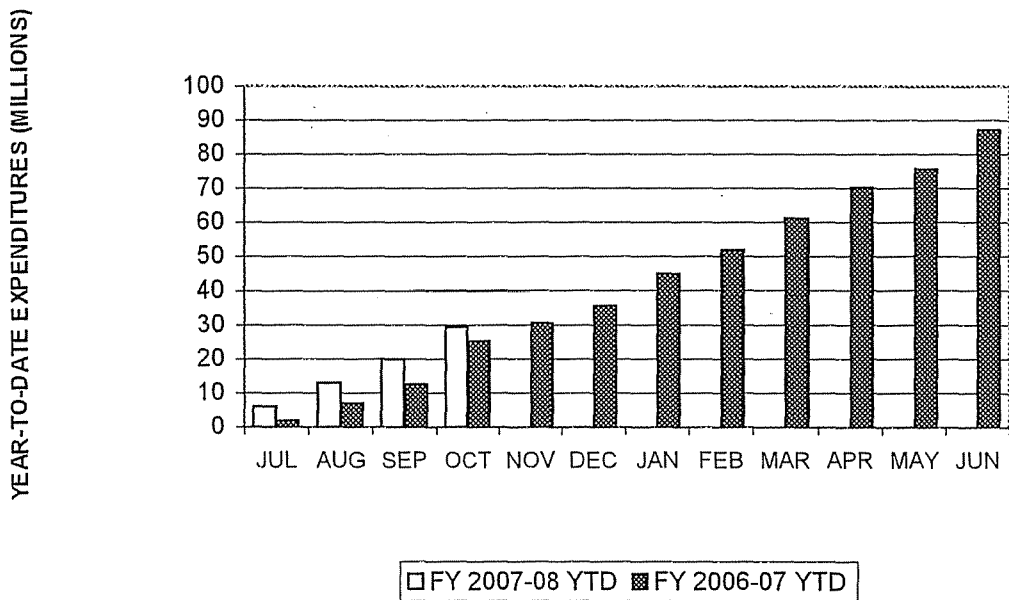
CITY OF SAN JOSE
SPECIAL REVENUE FUNDS
SOURCE AND USE OF FUNDS
FOR THE 4 MONTHS ENDED OCTOBER 31, 2007
(UNAUDITED)
(\$000's)

	ADOPTED FY 2007-08 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2007-08 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Transient Occupancy Tax							
Prior Year Encumbrance	\$ -	-	127	127	127	N/A	78
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	3,753	424	-	4,176	4,176	N/A	3,706
Revenues	13,450	-	-	13,450	3,975	N/A	3,149
Total Sources	17,203	424	127	17,753	8,277	N/A	6,933
Total Uses	17,203	424	127	17,753	5,685	714	2,947
Conventions, Arts & Enter							
Prior Year Encumbrance	-	-	338	338	338	N/A	150
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	2,088	1,992	-	4,080	4,080	N/A	578
Revenues	18,535	150	-	18,685	4,068	N/A	4,326
Total Sources	20,624	2,142	338	23,104	8,487	N/A	5,054
Total Uses	20,624	2,142	338	23,104	6,211	498	5,511
Golf							
Prior Year Encumbrance	-	-	11	11	11	N/A	11
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	698	135	-	833	833	N/A	764
Revenues	2,180	-	-	2,180	1,606	N/A	1,616
Total Sources	2,878	135	11	3,024	2,450	N/A	2,391
Total Uses	2,878	135	11	3,024	1,247	11	855
Other Funds							
Prior Year Encumbrance	-	-	56,828	56,828	56,828	N/A	52,594
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	170,368	16,833	-	187,201	187,201	N/A	172,292
Revenues	443,023	17,046	-	460,069	120,360	N/A	89,199
Total Sources	613,391	33,879	56,828	704,098	364,389	N/A	314,085
Total Uses	\$ 613,391	33,879	56,828	704,098	107,039	158,197	99,887

AIRPORT REVENUE FUND 521 Comparison of YTD Revenues

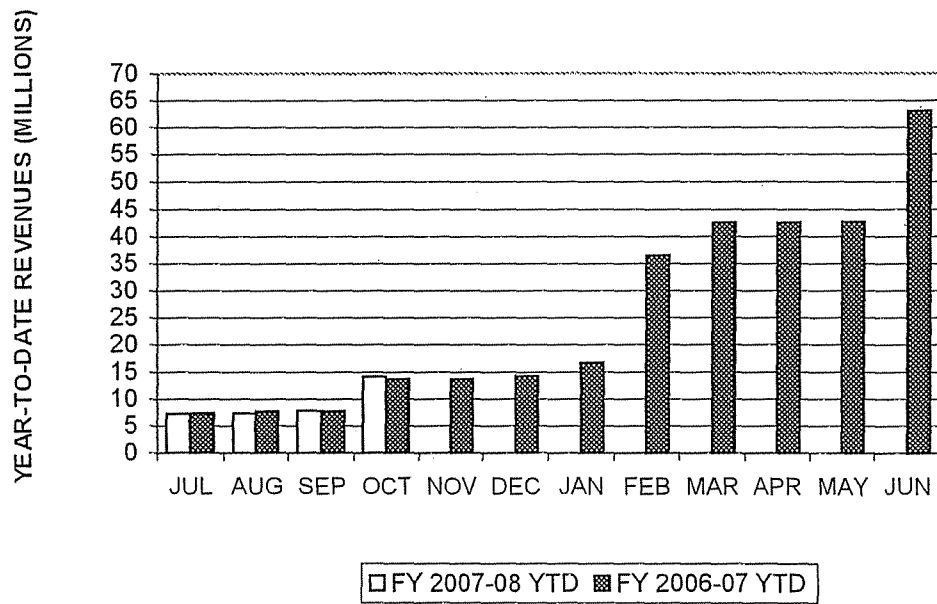


AIRPORT MAINTENANCE & OPERATING FUND 523 Comparison of YTD Expenditures

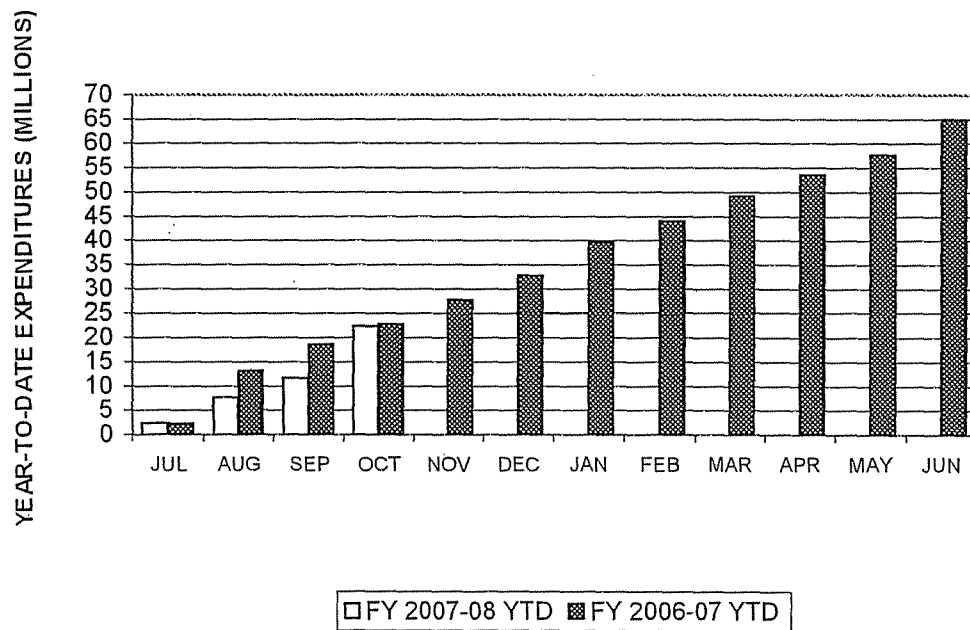


Note: The graphs above include the airport revenue fund (521) and operating fund (523) only.

WPCP OPERATING FUND 513
Comparison of YTD Revenues

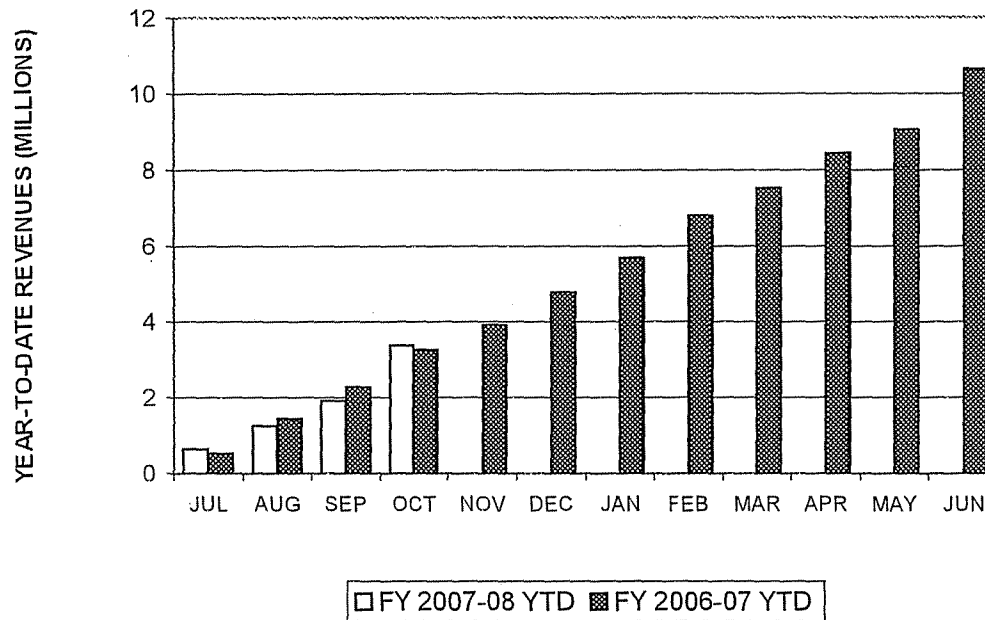


WPCP OPERATING FUND 513
Comparison of YTD Expenditures

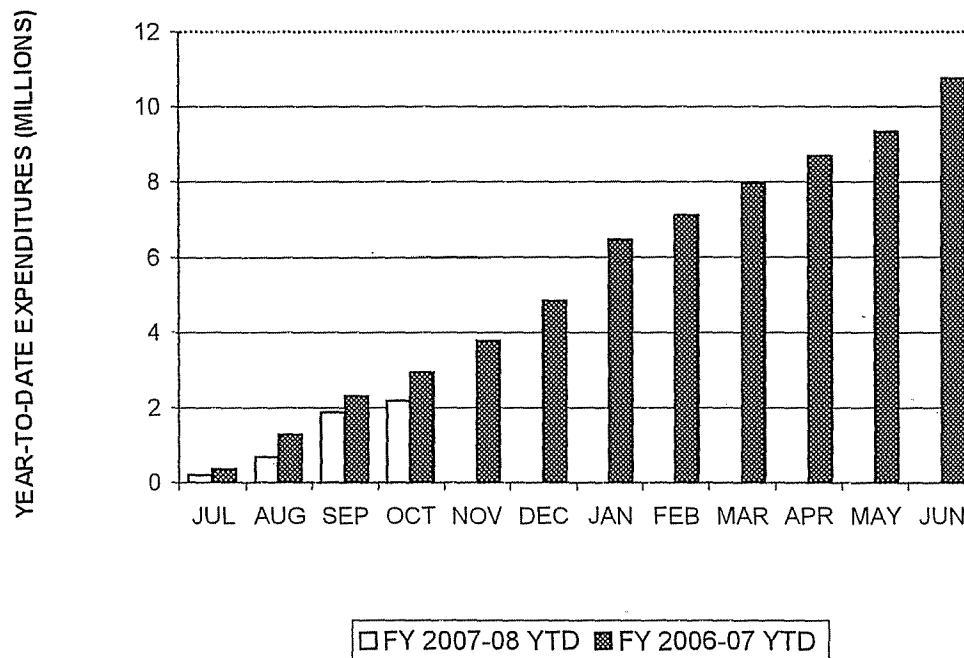


Note: Graphs above are only for WPCP operating fund (513).

PARKING OPERATING FUND 533
Comparison of YTD Revenues



PARKING OPERATING FUND 533
Comparison of YTD Expenditures



**CITY OF SAN JOSE
ENTERPRISE FUNDS
SOURCE AND USE OF FUNDS
FOR THE 4 MONTHS ENDED OCTOBER 31, 2007
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2007-08 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2007-08 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Airport							
Prior Year Encumbrance	\$ -	-	190,201	190,201	190,201	N/A	75,631
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	685,863	(211,934)	-	473,929	473,929	N/A	456,618
Revenues	1,308,762	9,071	-	1,317,833	107,543	N/A	84,378
Total Sources	1,994,625	(202,863)	190,201	1,981,963	771,674	N/A	616,627
Total Uses	1,994,625	(202,863)	190,201	1,981,963	135,500	236,952	102,226
(Note 1)							
Waste Water Treatment							
Prior Year Encumbrance	-	-	38,241	38,241	38,241	N/A	87,923
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	147,623	38,437	-	186,060	186,060	N/A	164,205
Revenues	248,843	-	-	248,843	120,143	N/A	41,601
Total Sources	396,466	38,437	38,241	473,145	344,445	N/A	293,729
Total Uses	396,466	38,437	38,241	473,145	62,199	45,354	69,307
(Note 2)							
Municipal Water							
Prior Year Encumbrance	-	-	1,603	1,603	1,603	N/A	1,972
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	11,481	(607)	-	10,874	10,874	N/A	11,018
Revenues	28,798	-	-	28,798	12,355	N/A	11,546
Total Sources	40,279	(607)	1,603	41,276	24,833	N/A	24,536
Total Uses	40,279	(607)	1,603	41,276	10,007	2,790	10,169
Parking							
Prior Year Encumbrance	-	-	873	873	873	N/A	2,115
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	11,816	1,229	-	13,045	13,045	N/A	12,338
Revenues	10,425	5,100	-	15,525	3,366	N/A	3,257
Total Sources	22,241	6,329	873	29,443	17,284	N/A	17,710
Total Uses	\$ 22,241	6,329	873	29,443	2,198	1,443	2,950

Note 1 - All Airport Funds, including operating, revenue, capital and debt service.

Note 2 - All Waste Water Funds, including operating, revenue, capital and debt service.

CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE 4 MONTHS ENDED OCTOBER 31, 2007
(UNAUDITED)
(\$000's)

	ADOPTED FY 2007-08 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBER	REVISED FY 2007-08 BUDGET	YEAR-TO-DATE ACTUAL ENCUMBER		PRIOR Y-T-D ACTUAL
Construction Excise							
Prior Year Encumbrance	\$ -	-	7,731	7,731	7,731	N/A	2,780
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	12,004	3,118	-	15,122	15,122	N/A	20,714
Revenues	32,584	15,926	-	48,510	10,162	N/A	13,575
Total Sources	44,588	19,044	7,731	71,363	33,015	N/A	37,069
Total Uses	44,588	19,044	7,731	71,363	14,814	10,811	8,682
Redevelopment Projects							
Prior Year Encumbrance	-	-	3,057	3,057	3,057	N/A	4,149
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	2,654	4,716	-	7,370	7,370	N/A	7,887
Revenues	103	1,068	-	1,171	3,378	N/A	1,313
Total Sources	2,757	5,784	3,057	11,598	13,805	N/A	13,349
Total Uses	2,757	5,784	3,057	11,598	1,037	4,756	1,205
Other							
Prior Year Encumbrance	-	-	47,542	47,542	47,542	N/A	46,252
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	260,216	2,187	-	262,404	262,404	N/A	223,739
Revenues	69,540	7,668	-	77,208	5,856	N/A	4,101
Total Sources	329,756	9,856	47,542	387,154	315,801	N/A	274,092
Total Uses	\$ 329,756	9,856	47,542	387,154	17,613	42,929	12,682

CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE 4 MONTHS ENDED OCTOBER 31, 2007
(UNAUDITED)
(\$000's)

	ADOPTED FY 2007-08 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2007-08 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Trust and Agency							
Prior Year Encumbrance	\$ -	-	28	28	28	N/A	105
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	2,345	(156)	-	2,189	2,189	N/A	3,209
Revenues	1,211	121	-	1,332	1,513	N/A	2,898
Total Sources	<u>3,556</u>	<u>(35)</u>	<u>28</u>	<u>3,549</u>	<u>3,730</u>	<u>N/A</u>	<u>6,212</u>
Total Uses	<u>\$ 3,556</u>	<u>(35)</u>	<u>28</u>	<u>3,549</u>	<u>555</u>	<u>18</u>	<u>1,651</u>

